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Process Improvement by Simplification of Policy, and Procedure and Alignment of Organizational Structure

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ABSTRACT

In this paper we analyze a process improvement project in detail and propose a generic framework for process improvement through process simplification. It involves simplification of relevant policies, simplification of procedures and alignment of process execution teams along policy, process and systems. The simplification framework can be very helpful in process improvement efforts where extensive data is not available and quick results are expected.

Keywords

Business Process Improvement, Process Simplification, Organizational Alignment

INTRODUCTION

There are many business process improvement methods which include Six Sigma (Harry and Schroeder, 2000), Lean (Krafcik, 1988), TQM (Hendricks and Singhal, 1997) and BPR (Davenport, 1993; Kettinger, et al. 1997) and many other methodologies supported by various consulting companies. But when we try to implement these methods, it is observed that either a lot of customization is needed where the success depends on the individual consultant's skill and experience; or the method is not applicable (Adesola and Baines, 2005; Ravesteyn and Versendaal 2009). For example, when detailed data of the process is not available six-sigma methods cannot be applied, and if the process improvement is a onetime exercise as opposed to a continuous improvement program, TQM can't be used. The research team has experience in business process improvement projects in various organizations. The research objective for the research team is to come up with a generic framework for process simplification based on the experience and observation of process improvement in one specific project, so that the same method can be applied to other processes in the organization. The research team selected a process improvement project for the company they worked for. Based on the experience in this project we arrived at a relatively flexible and intuitive framework for process improvement which is described in this paper.

Process simplification is not only about reducing process steps or automation using technology, though reducing process cycle time is a very critical output of simplifications. Process Simplification needs to also align the process components and parameters to help reduce the compliance burden (related to data, regulation, policy implementation and process adherence) and ensure sustainability of the process goals and KPIs. Organizations run process improvement initiatives to improve the process metrics through which incremental improvement is definitely visible, but many a times the complexity of the process does not get addressed. As processes evolve with multiple changes being made due to policy changes, IT system enhancements, organizational growth, changes in procedures, etc., the processes become increasingly complex for the process users. Organizational structure and process are closely linked so a complex process also has a complex organizational structure and vice versa (Miles et al. 1978). Process simplification leads to improvement in process efficiency and increased effectiveness of the process controls.

A very common business process was selected for the study which is industry neutral and administrative in nature so that the results can be easily generalized. In this process the employees raise claims for the expenses incurred while performing organizational duties and these claims are settled by the claims team which checks for applicable rules, verifies proof of expenditure and settles the claim. Since the claims process is a general administrative process commonly found in organizations and not specific to any particular sector, the results should be suitable for business processes improvement in general. To set the organizational context further it is needed to understand the size of the organization, size of the process and its impact. The organization is spread across more than 50 countries, with more than 6 billion dollars revenue and an employee strength of more than 120,000. Employees frequently travel to different countries on business visas and work permits in addition to domestic travels leading to more than 100,000 claims in a year. The claims process starts when the employees submit their travel and non travel claims and entitlements and ends when the centralized accounting team analyses and disburses the claims. The Claims workflow is supported by a web-based IT system available on the organization network.

The project gave us insights into the issues encountered in process improvement or simplification which are not tackled explicitly by the existing process improvement methods. Mensar and Reijers (2007) provide a good collection of existing process improvement methods. The major new issues that we observed were - structural mismatch between existing policy and the process and IT systems used to implement the policies; structural mismatch between IT systems and structure of execution team, and lack of awareness about rules and entitlements. The three mismatches gave rise to unnecessary complexity in the process which left all the stakeholders dissatisfied.

The process is described in detail in the next section. The data collected during the investigation included, study of claims policies, study of IT systems, study of one year claims data, and interviews with the process execution team and policy framing team and analysis of user comments captured through the system. The analysis included analysis of transaction data, list of issues as submitted by process customers, and discussion with process executives which validated our recommendations and gave new ideas for process improvement.

PROCESS IMPROVEMENT FRAMEWORK

Any organizational business process has three components - Policies which govern the process, process and its supporting systems (manual or IT systems) and an operational structure or people who execute it. All these components evolve and mature based on the organizational needs, with the relevant stakeholders making the required changes and improvements. It is also observed that employees spend too little time on process simplification and improvement when they suggest process changes to address immediate needs (Lee and Dale, 1998). In this evolution the business process typically becomes very complex.

The process improvement framework is developed with the following background of the case, which we have found is true in many other process improvement exercises also. The organization updates or releases new policies from time to time based on the need and inputs from Human Resources, Finance and other departments. The Information Systems department actively monitors the process performance and enhances and updates the system functionality and performance. The team engaged in the process execution (called claims team) continuously improves the process so that better quality work can be done with less people in shorter time. The process executives, though not trained in sophisticated process improvement methods like six sigma, intuitively suggest some rational and logical ways to improve the process. As a result of continuous process improvement from within the process execution team many small process changes are done and implemented in the systems. Some improvements, like shifting employees within a process to utilize the resources optimally, which are under a process manager's control, have been implemented from time to time. Such initiatives are generally taken without any specific process improvement program. Organizations collect feedback on specific component of the system like policy, system feedback or helpdesk service. Process issues and complexities arising out of misalignment between the various components gets missed out during the evolution of the process. Process improvement programs provide an opportunity to review a process more holistically including the issues in policy, processes and IT systems supporting the process, the work distribution between, customer and service departments, and opportunity for automation. Our method identifies the alignment issues between the three components and simplifies the processes by addressing them.

The steps in the process improvement method can be summarized as data collection, analysis, stakeholders' summit and recommendations. The steps are shown in the figure 1.

Data collection involves taking information on high level process maps, policy relevant to the process, and organizational structure of the process execution teams. Data on the IT systems supporting the process, reports and data from these systems are also collected. It also includes interviews of stake holders or survey of customers. The analysis of process data and interviews with stakeholders gives the issues to be resolved by the improvement exercise.

Analysis involves examining the three components whiz, policy, process and structure for possible misalignment. The alignment issues are due to mismatch in the terminologies, variations in the categorization or classification of the process parameters, mismatch in the process requirements at various activities and the system implementation, and inconsistencies in interpretation and application of the policies by various stakeholders. Misalignment creeps in because the process structure and system components evolve based on the changing needs. To explain further, it is observed that policies are generally made and drafted to deal with frequently occurring cases of similar nature, which may be based on geography in some cases. This creates issues for new or less frequently occurring scenarios which evolve with expanding business and changing circumstances. The IT systems which implement the process undergo incremental changes to address specific conditions and system errors and sometimes to accommodate changing technical environment. Specific process automation opportunities may be missed as the IT team does not have the mandate to look into it. The processing team's structure also undergoes minor changes to reflect changes in business. Also the communication on process changes happens as and when the change event occurs. Typically the overall process documentation which may be in the form of FAQs, portals, help documents, etc

are not updated in line with the various changes. The findings of the analysis step are validated with the available process data and checked with the suggestions and issues highlighted in the interviews. An initial set of recommendations will also flow from the analysis stage.

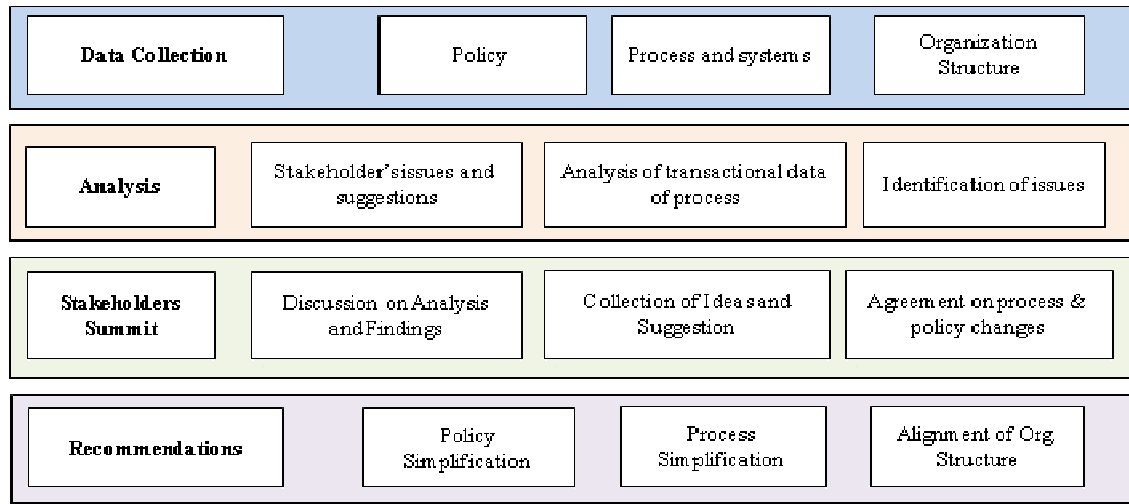


Figure 1. Framework for process improvement

The **Stakeholders Summit** is a mechanism to validate the findings and further collect suggestions to address the identified in previous step. It provides a platform to initiate the process change program by getting buy in from the stakeholders on the policy and process changes. The high level requirements for the IT systems are also collected during this stage. The participants of the stakeholders summit act as the evangelists of the changes and can be called in during the process and system testing and deployment phases.

The **recommendations** for process improvement are along policy simplification, process simplification, and alignment of process execution teams around the policies. The simplification of IT systems through automation and alignment to the process is considered under process simplification.

The next section describes the specific case of improvement which formed the basis on which the process simplification framework was proposed.

CASE OF PROCESS IMPROVEMENT IN CLAIMS PROCESS

The Claims process as viewed by most of the employees is a very small set of activities, but every stakeholder perceived it as complex and difficult to execute. The employees found submission of claims very complex while the managers and the support departments felt that there were too many exceptions waiting for their approval. The claims process is supported by IT systems and hence the perception was that the system is complex and needs to be simplified along with the process. The Claims system is implemented on a workflow tool which captures the claims data, the approvals and handoffs among the process participants. The Claims process begins when an employee spends money on any official purpose. In order to be reimbursed, the employee needs to file a claim, submit the receipts, receive an approval and finally, receive a claim settlement. As expected this process is integrated with corporate accounting and corporate management. In addition to this process, other issues arise such as foreign exchange, different tax standards and separate accounting for subsidiaries and geographies. This results in the need to account for the expenses under different expense types and also the need for process controls in the form of approvals and verifications.

The claim system manages an average of fourteen thousand claims per month and the organization disburses considerable amounts of money through its claim desk. The claims desk is outsourced to Infosys BPO, which is a fully owned subsidiary. The Claims system integrates various stakeholders including regular staff (claimants), the claims desk, the Information Systems office, financial analysts in business units and Corporate Finance. Therefore, the Claims system has to be further evaluated in order to seek solutions that would provide:

- Easy access for claimants
- Transparency for users

- Compliance with accounting regulations, i.e. SOX, GAAP, ForEx, etc
- Operational efficiencies: improve process from claimant to balance sheet
- Reduction of Exceptions

Travel is a critical requirement for the organization's business and hence majority of the claims are travel related, which arise when the employees make domestic travel or foreign travel on business visa and work permit. The eligibility of claims depends on the job level of the employees and the geography they are visiting. There are other types of non travel related claims such as reimbursement of broadband expenses, staff welfare related expenses, purchase of books, higher education expense, etc which are processed by the same team using same system but with slight variations in the workflow. High level process flow for travel related expenses is seen in Figure 2.

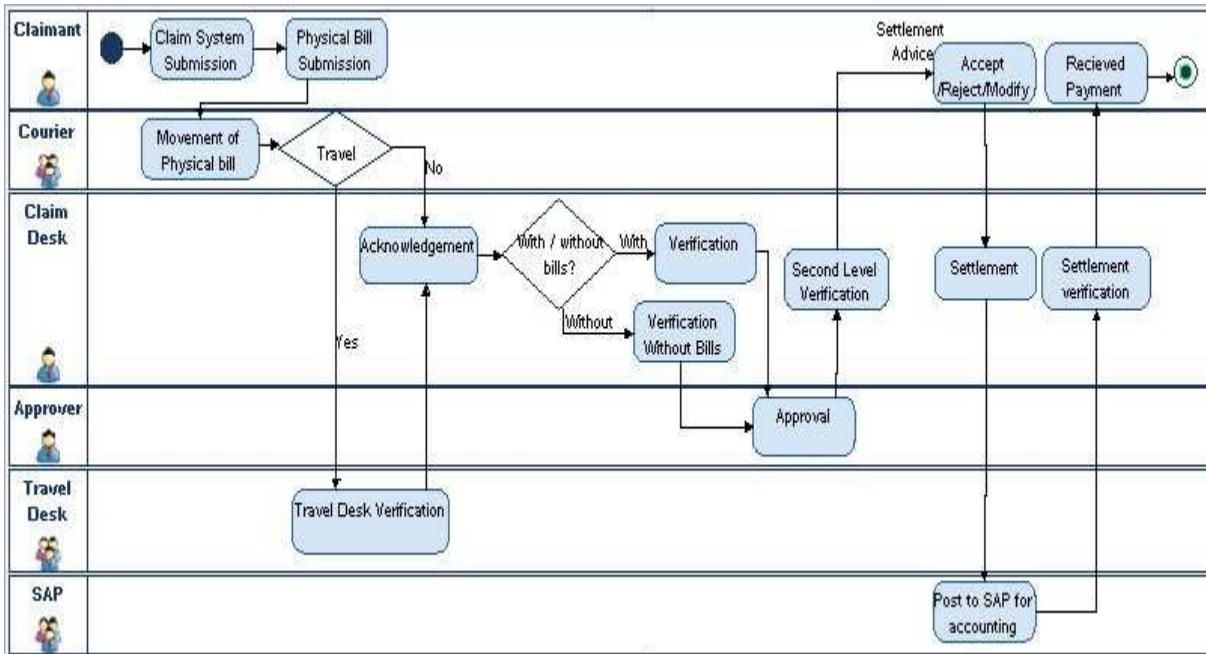


Figure 2. High level process flow of claims process

The process has 3 major stages – Claims submission, Claims verification and settlement. The process involves certain pre process activities which are not considered as part of the claims process. The pre process activities for travel related claims involve, submit travel request, approve travel request, issue tickets and issue advance including foreign currency and travelers checks all of which are supported by a travel system. The pre process is different for other claims like broadband related expenses and higher education expense which is captured on different systems or email. Table 1 captures classification of claims based on policies, process, claims system and claims team.

Policy classification	Process based classification	Claims System's classification	Claim team's division
<ul style="list-style-type: none"> • GENERIC Policies Expenses in India Per Diem in India • INDIA Policies Travel in India • GEO Policies Expense outside India Per Diem in the geography • Travel by US based employees • Initial accommodation expenses • Relocation to US 	<ul style="list-style-type: none"> • Direct Settlement (without travel) • Domestic Travel • Overseas travel • All other Claims • Broadband claims • Exception claims • Higher Education claims • Library claims • Project Party claims • Visa expenses claims 	<ul style="list-style-type: none"> • Per Diem for business visa travel • Work permit travel and domestic travel • Higher education • Event based claim • Living allowance claim • Exception claims • Other claims 	<ul style="list-style-type: none"> • Indian Rupee claims • US claims • Rest of the world claims, • Business Visa claims

Table 1. Classification of claims

Closer look at table 1 will reveal that category and type for claims are not the same in policy, process, system and team. Consider the case if all travel claims have one policy, one process, one system and one handling team irrespective of geography or currency, or domestic or foreign travel type. Such an alignment will make the processing and managing claims much simpler. This gives a compelling reason to choose alignment of policy, process, systems and team structure for simplification of process.

Claims Process Analysis and Findings

Data collected through stakeholder interviews, policy documents, one year's claims system data, the claims team's performance reports and feedback of the claims system was analyzed by the research team as per the analysis principles of the process improvement framework mentioned in the previous section. The important items found during the analysis are presented in table 2.

<p>Analysis of Policies</p> <ol style="list-style-type: none"> 1. There are 170 plus policies out of which 16% are related to reimbursements. 2. Reimbursement, compensation, awards and generic labor policies are mixed together. Travel claims could be found in all three categories, generic policies, Geo policies and India policies. 3. India policies are listed separately and travel policy which applies to all the employees is also included under this category. 4. All policies on Library, Higher education and Visa claims are not available at the portal. For Visa, the only policy included is the applicability of a visa for family in case of travel overseas. 5. Non travel expenses claims categories are not consistent and easy to find. 6. Employees have to look for claim policies based on base and host location. 	<p>Analysis of Process Data</p> <ol style="list-style-type: none"> 1. On an average, Claimants are taking one month to submit their claims. The submission standard deviation time is more than a month (35 days) which can be more risky when trying to explain some unclear expenses. This can affect the explanation of exception claims. 2. Submission of claims is not evenly spread over the year. There are two visible peaks (September and December) 3. There are more than 300 Expense types which make it confusing for the claimant to register in his/her claim and makes the available data very complicated to interpret (if possible). 4. About 10% of sub-claims are not fully settled. 5. 65% of claims are split in two or more sub claims. This means that the Claims Team has to compare the expenses to at least two policies whenever verifying a claim.
<p>Structure of claims team</p> <ol style="list-style-type: none"> 1. Claims Team Units are divided based on currency (INR), region or company (USA/ROW/IC) and policy (per diem not in India). Claims Team units are not divided according to types of policies or claim categories. 2. Claims team staff also acts as helpdesk and they receive at least 15 calls per person per day. Furthermore, the Claims Team does not keep a record of the number of calls they receive and the nature of it. 3. Currently, the claims staff makes a 2nd verification and settlement verification and encounters discrepancies in the initial claim verification. The team does not keep a record of the wrongly verified claims but acknowledges that there is a considerable amount that has to be corrected after the first verification. 4. The claims are centrally processed and the bills etc are couriered from other parts to the central processing centre. This leads to transit delays. 	<p>Analysis of Process and Systems</p> <ol style="list-style-type: none"> 1. The process and systems have India centered vocabulary which confuses employees from other geographies. 2. As there are more than 300 Expense types for the claimant to register in his/her claim, most of the employees (75%) choose all other claims. Also the current claim categories are not clearly aligned with the claims policies. 3. Claimants do not get pre-submission summary of their claims and their eligibility. 4. Claimants add up expenses covered by different policies within the same claim. This makes the verification process increasingly tedious as the Claims Team has to match not only the claim, but also the expense type to the policy. The policy verification is done manually which leads to error. 5. Travel dates are not linked between travel booking system and claims system. "Dummy" travel requests have to be filed in order to submit a claim if tickets are purchased by the claimant. This is an unnecessary work for claimant.

Table 2. Analysis of the Claims Process

The process when analyzed from the perspective of misalignment of policies, process, IT systems and stakeholders throws up many issues. The findings are presented below along different categories as per our framework.

Analysis of policies

- Lack of awareness and mismatch in interpretation across stakeholders:

In addition to the employees' lack of awareness of the available policies, the interpretation of the policy governing the claims is not consistent among the process participants (employee, Managers, Financial Analysts, Claims team and the IT systems). The claims team has a detailed guideline (SOP -Standard Operating Procedure) for verifying the claim which is more detailed than that enumerated in the policies. The claims are approved by the manager once they are verified by the claims team, but the managers are not always aware of the limits and policies of most of the claims which they are approving.

- Mismatch in classification and terminologies:

The classifications of policies on the policy portal and the system have many mismatches. The number of options and expense types for claims in the system is less than the number of policies available on the portal, i.e., certain policies are not found on the portal. The definition of terms is not explained in the policy documents. The terminologies used in the system are different from that mentioned in the policy document.

Process and Systems

- Mismatch between process requirement and system implementation:

The Claims processing is supported by IT systems for all the stages. The pre-claims process was different for different sub categories of claims and sometimes executed in different systems or even manual. The travel related claims pre-claims process was in Travel system, broadband in telephone system and Higher education through emails and book purchase through Library system

Pre-approval for travel and certain others broadband claims, approvals for direct settlement of membership fees and conference registrations are done through email. The process in the system does not have any requirement to provide details of prior approvals. But the Claims processing team needs the approval mail for verification. This causes delays, is not reliable and cannot be tracked effectively as the approvals are in emails and the claims are in the IT application. The pre-processing activities and approvals are not integrated with the claims processing systems while the end to end processing needs it.

- Automation opportunities:

The claims system is limited to providing a data capture mechanism while the processing rules are applied by the claims team. There is opportunity for automating this step by codifying the rules in the system. This also removes the need for second verification within the claims team.

There is an opportunity for assisting the claimant in filling the claims by actively guiding him/her during the form submission and integrating it with the pre-processing system.

The email approval can be replaced by a pre-approval system to remove manual step of verification of emails for approvals.

- Parallel activities:

Exception claims gets delayed because they are triggered after the normal claim processing and then goes to the Financial Analyst for comments and approval. The delay can be avoided by processing the exception authorization and bill verification in parallel.

- Elimination of activities:

For travel related claims the physical bills are first verified by a travel desk and then passed on to the claims processing team. It is possible to eliminate the travel desk step if the pre-processing in case of travel is integrated with claims system.

Structure of claims team

- Team knowledge management and customer support:

The claims helpdesk was through a web-based system and a call centre. The classification of requests on the web-based request system was based on currency and geography and not as per the claims category in the claims system or policy portal. The claimant did not know which help desk to log his query against.

As the helpdesk is handled by the entire team and the helpdesk data is not maintained, the knowledge related to handling of infrequent claims and exception claims is not build in the claims team.

- Location

The team is centrally located as it improves the team utilization and reduces cost. But it increases the transit time for the bills and claims to be taken up for processing as it includes an extra step of couriering the bills

Recommendations

The analysis and findings were presented to stakeholders in a formal two day workshop where they were asked to present their views. The stake holders came up with their own suggestions and recommendation which can be classified in terms of policy simplification, simplification of process and systems and Claims team structure. The major recommendations are shown in the table 3.

Simplification of Policy	Simplification of Process and Systems	Alignment of Claims team Structure
<ol style="list-style-type: none"> 1. Policy should be redrafted to have consistent vocabulary. India centric language should be removed. 2. The policies should be available at one location and they should be classified for easy identification. 3. Policies should be so clear and detailed that it can be converted to business rules and implemented in systems. It will remove any subjectivity in interpretation. 	<ol style="list-style-type: none"> 1. When an employee raises a travel request, he should get a list of applicable policies and upper limit of expenditure under normal circumstances. 2. Include a step for pre-approval which can be implemented in the system, so that it can be automatically accounted for in the claims processing. When the claimant knows that he will incur exceptional expenditure he can take pre-approval. 3. All policies should be converted to business rules and implemented in the system to ensure consistent application. This will remove the need for manual verification for normally admissible claims. 4. When a claimant fills the form to submit his claim he should get a feedback on the admissibility of claim before submitting. 5. If there is excess claim or claims where no policy exist separate work flow should be automatically generated to handle this. 6. The classification of 300 expense types should be relooked and reduced and made consistent with policy. 	<ol style="list-style-type: none"> 1. The teams should be divided in terms of applicable policies. A special team to look after all infrequent claims (E.g.- higher education policy) will be able to apply rules consistently. The experience will be very useful in suggesting modification of policies. 2. Help desk should be separately manned and experienced people should man it.

Table 3. Recommendations for Process Simplification

CONCLUSION

The simplification approach to process improvement is applicable where there is a perception of complexity in the process. While individually every team shows improvement the customer service is still not satisfactory in these cases. This typically happens when systems and processes are enhanced for specific needs at multiple instances to accommodate demands of organization growth, mergers and acquisitions, etc. As the process and systems are still able to support the enterprise to a large extent, drastic approaches like BPR may not be needed.

Typically we look at As-Is and To-Be process maps and data about different activities during process improvement initiatives, but in the case study we realized that it was not helpful and was insufficient to meet our objective of process

simplification. In retrospect we analyzed what would happen if we had adopted one of the popular process improvement methods like Lean and Six Sigma. By using Lean method we would not have analyzed the organizational policies, and execution team structure. Six Sigma will not be applicable in a short duration project as it would require training of people, data collection at a more granular level before the Six Sigma methods can be applied. Similar would be the case of TQM. The process simplification approach which we have proposed does not impose a stringent structure, but provides a high level guideline which allows room for customization and enhancement in specific implementation. The different aspects on which policies, process and structure are analyzed for misalignment and simplification can be enhanced based on the organization and situation requirements. Our process improvement approach can be used as the starting point while initiating large process improvement programs.

Also there seems to be a need for further research to understand the impact of organizational policies on process performance. Circumstantial evidence suggests that compliance and control increase processing cost and complexity the way quality generally increases manufacturing cost. Another interesting area of research can be the amount of trust which can be provided to the users in a financial system and the ensuring compliance through random audits and sampling.

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